

14 April 2023

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
NSW 1240

via email: ipart@ipart.nsw.gov.au

**RE: UDIA SUBMISSION ON IPART DRAFT TERMS OF REFERENCE - THE FUTURE OF EMBEDDED NETWORKS
IN NSW**

Dear Independent Pricing and Regulatory Tribunal (IPART),

As the peak industry body representing the leading participants across all facets of urban development in NSW the Urban Development Institute of Australia NSW (UDIA) advocates on behalf of our over 450 members for the creation of Liveable, Affordable and Connected Smart Cities.

UDIA welcome the opportunity to provide a submission on IPART's draft Terms of Reference (ToR) - The Future of Embedded Networks In NSW. We have been supportive of reforms that seek to advance the NSW housing supply pipeline, improve consumer sentiment and strengthen the apartment market. We acknowledge that that there have been concerns with embedded networks, including operators using their monopoly position to charge higher prices to tenants and the ability for customers to exit embedded networks. However, it must also be noted that embedded networks have been used successfully in NSW to provide improved outcomes for tenants through reduced cost of services, cheaper upfront development expenses and more affordable housing. IPART must ensure that their review incorporates balance, including the protection of customers, and does not assume a predetermined outcome. It should also be noted that commitments of the previous Government were made at a time when the full extent of the housing crisis, decade low approval and commencement rates for apartments and record low rental vacancy rates, were not fully known and so acutely felt.

The draft ToR tasks IPART to consider only two policy options: price caps (for hot and chilled water, gas and electricity) and prohibiting new embedded networks for chilled and hot water services in NSW. While it is acknowledged that chilled & hot water pricing is not currently regulated in NSW there needs to be a balanced approach to ensuring end customers are protected. Limiting a review to two policy options is inconsistent with best practice policy development which should seek to consider the full range of policy options to address an issue, including options that are outside the remit of a statutory authority. Having a broad outcome focused scope ensures that the best solution is chosen to address the problem, rather than limiting outcomes to options immediately available to an authority, in this instance IPART.

UDIA acknowledge that the relevant considerations under the ToR seek to ensure balance and require the Tribunal to take account of the benefits of embedded networks for consumers. This is appropriate and supported. However, the limited task the Tribunal has been asked to make recommendations on incorporates

negative connotations and assumes that embedded networks are inherently bad for consumers and that increased regulation is required.

UDIA will advocate that the new Government reconsider the review of embedded networks to provide greater balance and fairness in the approach and ensure that the needs of consumers and need to increase housing supply are equally assessed. Notwithstanding this position UDIA makes the following recommendations to improve the draft ToR on exhibition:

Recommendations:

1. IPART seek clarification from the new Government as to their view of embedded networks prior to undertaking this task. Including the commitment to introduce a maximum price for the sale of hot and chilled water and gas services to small customers in embedded networks.
2. Expand the ToR to consider the full range of policy options that might deliver the best outcome for consumers, maintaining customer protections and choice, and flexibility for industry when utilising embedded networks. Noting the introduction of a maximum price for the sale of hot and chilled water and gas services to small customers in embedded networks was a commitment of the previous Government.
3. Include policy options that could be executed via amendments to NSW Government legislation or by amending the National Electricity Rules (which IPART or the Minister could initiate via a rule change request to the Australian Energy Market Commission).
4. Acknowledge the existing rules in play for gaining a retail license to operate as an embedded energy provider, and not the exemptions that may be applicable under the current regime.

As stated previously UDIA remain supportive of systems which seek to reduce the cost of development and support affordable new housing outcomes while being fair and equitable for tenants, developers and service providers. IPART must ensure that their review aligns with the priorities of the new Government and does not result in perverse outcomes, including reduced supply of housing or increased costs of services and housing for consumers.

UDIA thank you for the opportunity to provide a submission to the draft ToR - The Future of Embedded Networks In NSW. Should you have any further questions regarding the recommendations contained within this submission, or to arrange a meeting, please contact [REDACTED]

Kind Regards,

[REDACTED]
[REDACTED]
UDIA NSW